

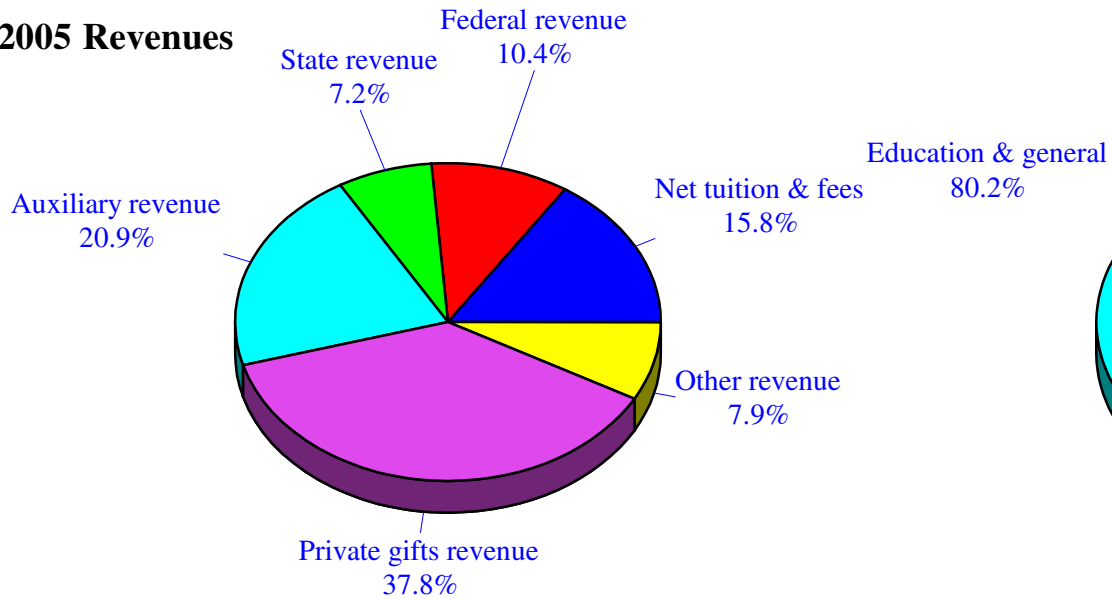
**GREAT LAKES CHRISTIAN COLLEGE**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with additional information)**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

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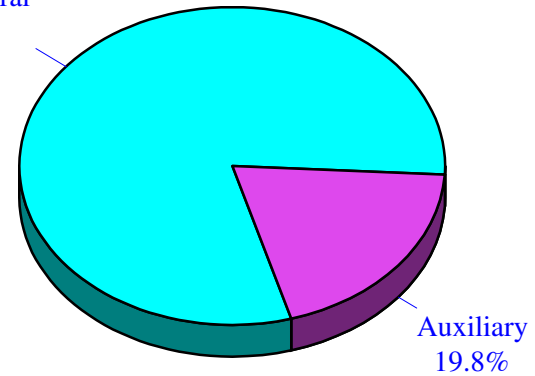
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# GREAT LAKES CHRISTIAN COLLEGE YEAR ENDED JUNE 30, 2005 AND 2004

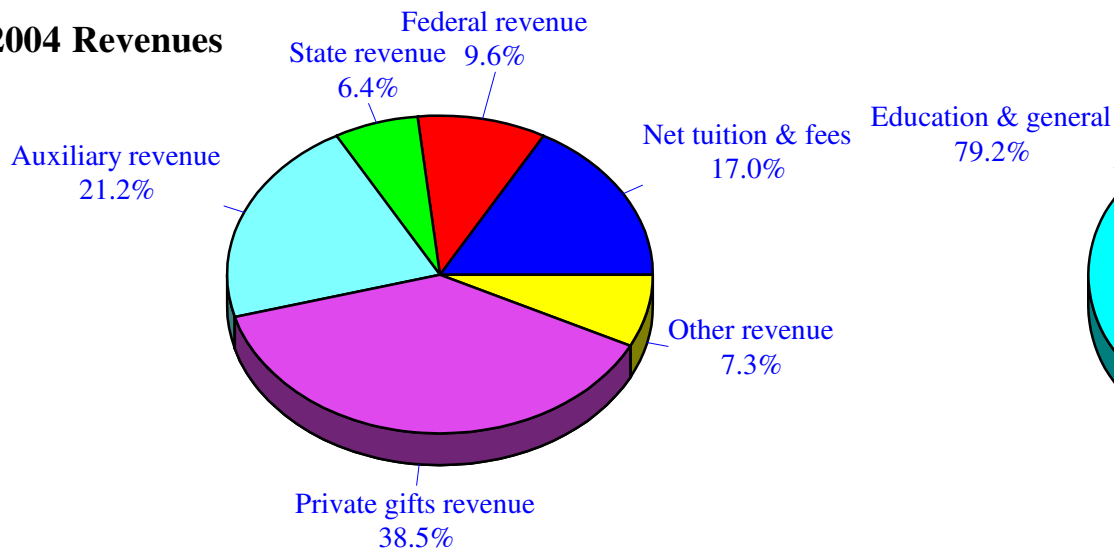
**2005 Revenues**



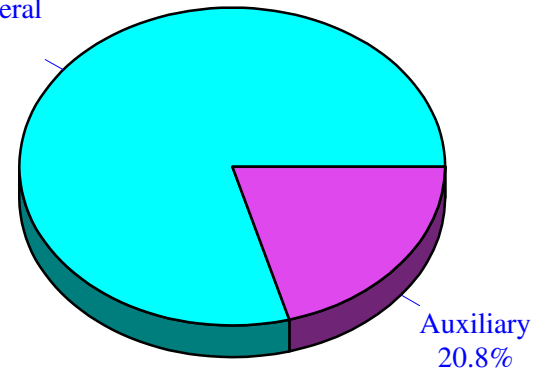
**2005 Expenses**



**2004 Revenues**



**2004 Expenses**





Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raack  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Great Lakes Christian College  
Lansing, Michigan

July 29, 2005

We have audited the accompanying statements of financial position of Great Lakes Christian College as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Christian College as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of Great Lakes Christian College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Maner, Costerisan & Ellis, P.C.*

**GREAT LAKES CHRISTIAN COLLEGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 242,163	\$ 229,534
Investments	227,481	205,258
Revenue receivable, less allowance of \$30,000 in 2005 and \$13,000 in 2004	27,984	60,208
Due from governmental units	3,151	14,556
Inventories	34,577	33,291
Prepaid expenses	4,435	5,776
	<u>539,791</u>	<u>548,623</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>OTHER ASSETS:</b>		
Property and equipment, net of depreciation	2,950,867	2,733,306
Cash and cash equivalents - permanently restricted	10,920	1,367
Investments - annuities	96,498	89,338
Investments - permanently restricted	267,160	221,709
	<u>3,325,445</u>	<u>3,045,720</u>
<b>TOTAL OTHER ASSETS</b>		
<b>TOTAL ASSETS</b>	<u><u>\$ 3,865,236</u></u>	<u><u>\$ 3,594,343</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 135,119	\$ 135,528
Accounts payable	13,107	15,966
Accrued payroll and related	14,180	11,836
Accrued interest payable	2,500	2,500
Student deposits	73,400	51,556
	<u>238,306</u>	<u>217,386</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>LONG-TERM DEBT, less current portion</b>	706,802	636,389
<b>ANNUITY LIABILITY</b>	<u>74,804</u>	<u>74,675</u>
<b>TOTAL LIABILITIES</b>	<u>1,019,912</u>	<u>928,450</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated	1,986,008	2,072,743
Temporarily restricted	622,822	396,278
Permanently restricted	236,494	196,872
	<u>2,845,324</u>	<u>2,665,893</u>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,865,236</u></u>	<u><u>\$ 3,594,343</u></u>

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005				2004			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES, GAINS, LOSSES AND OTHER SUPPORT:								
Gross tuition and fees	\$ 1,437,050	\$	\$	\$ 1,437,050	\$ 1,382,475	\$	\$	\$ 1,382,475
Less: Scholarships	433,688			433,688	383,726			383,726
Governmental grants and awards	526,984			526,984	483,899			483,899
Net tuition and fees	476,378			476,378	514,850			514,850
Federal grants and contracts		312,454		312,454		292,582		292,582
State grants and contracts		215,402		215,402		187,753		187,753
Private gifts, grants and contracts	740,931	359,169	39,622	1,139,722	820,470	339,833	12,879	1,173,182
Investment income	2,280	58,491		60,771	340	61,888		62,228
Sales and services of auxiliary activities	628,669			628,669	645,099			645,099
Other sources	178,590			178,590	162,310			162,310
Net assets released from restrictions	718,972	(718,972)			757,682	(757,682)		
 TOTAL REVENUES, GAINS, LOSSES AND OTHER SUPPORT	 2,745,820	 226,544	 39,622	 3,011,986	 2,900,751	 124,374	 12,879	 3,038,004
EXPENSES AND TRANSFERS:								
Education and general	2,270,904			2,270,904	2,138,514			2,138,514
Auxiliary	561,651			561,651	556,363			556,363
 TOTAL EXPENSES	 2,832,555			 2,832,555	 2,694,877			 2,694,877
 CHANGE IN NET ASSETS	 (86,735)	 226,544	 39,622	 179,431	 205,874	 124,374	 12,879	 343,127
 NET ASSETS, beginning of year	 2,072,743	 396,278	 196,872	 2,665,893	 1,866,869	 271,904	 183,993	 2,322,766
 NET ASSETS, end of year	 \$ 1,986,008	 \$ 622,822	 \$ 236,494	 \$ 2,845,324	 \$ 2,072,743	 \$ 396,278	 \$ 196,872	 \$ 2,665,893

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Change in net assets	\$ 179,431	\$ 343,127
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	173,084	186,511
Loss on sale of fixed assets		9,774
Revenue receivable	32,224	(24,740)
Inventories and prepaid expenses	55	(945)
Due from governmental units	11,405	37,826
Accounts payable	(2,859)	6,074
Accrued payroll and related	2,344	2,262
Student deposits	21,844	6,107
Annuity liability	129	8,142
Accrued interest		(70,545)
Unrealized gain/loss on investments	(29,062)	(38,494)
Total adjustments	<u>209,164</u>	<u>121,972</u>
Net cash provided by operating activities	<u>388,595</u>	<u>465,099</u>
Cash flows from investing activities:		
Purchase of property and equipment	(390,645)	(291,589)
Purchase of investments	(40,500)	(42,996)
Proceeds from land contract		8,000
Proceeds from sale of investments	36,764	27,120
Net cash used by investing activities	<u>(394,381)</u>	<u>(299,465)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term and short-term debt	735,914	790,000
Payments on long-term debt	(665,910)	(763,627)
Annuity contributions received	4,235	6,448
Permanently restricted endowment contributions	(54,428)	(31,633)
Annuity liability receipts	(1,396)	(6,331)
Net cash used by financing activities	<u>18,415</u>	<u>(5,143)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,629	160,491
CASH AND CASH EQUIVALENTS, beginning of year	<u>229,534</u>	<u>69,043</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 242,163</u>	<u>\$ 229,534</u>
CASH PAID FOR INTEREST	<u>\$ 40,061</u>	<u>\$ 104,140</u>

See notes to financial statements.

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

- A. Basis of accounting - The College utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Monies classified as unrestricted include all funds over which the College has discretionary control and net assets released from restrictions. The temporarily restricted classification is comprised of amounts arising from federal and state grants as well as private gifts for scholarships and other needs of the College. Permanently restricted net assets consist of assets to be held indefinitely for scholarship purposes and the related investment income is recorded in the temporarily restricted fund.

- B. Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and money market funds.

- C. Investments

Investments in equity securities with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

- D. Revenue Receivable

Revenue receivable arises primarily from student tuition payments. Revenue receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to revenue receivable. Changes in the valuation allowance have not been material to the financial statements. Students come from various geographical areas.

- E. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of bookstore and cafeteria supplies held for consumption and resale.

- F. Property, Equipment and Depreciation

Property and equipment is stated at cost or market value at date of gift. Depreciation is computed over the estimated useful life of the assets on the straight-line method.



**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Concluded)**

**G. Capital Outlay and Maintenance Projects**

Capital outlay projects meeting the following criteria are recorded as capital additions of the unrestricted fund:

1. New buildings and additions to buildings;
2. Renovation, remodeling or modernization projects resulting in a basic change in the use or occupancy of existing facilities and replacement of major equipment items, including vehicles;
3. Acquisition of an existing facility;
4. Land acquisition and site projects exceeding \$10,000; and
5. Individual amounts exceeding \$1,000.

**H. The costs of providing various programs and other activities have been summarized on a functional basis in the Schedule of Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits.**

**NOTE 2 - NATURE OF THE ORGANIZATION, RISKS AND UNCERTAINTIES**

Great Lakes Christian College was founded September 21, 1949 and incorporated March 2, 1972. The College has been located at its current location since 1972 and is an independent post-secondary college producing servant-leaders for the Kingdom of God. The College's affairs are managed by its Board of Trustees, which determine policies and officers.

The College is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the College to concentrations of credit risk consist principally of cash and revenue receivable. The College's cash is deposited with high-credit-quality financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Credit risk with respect to revenue receivable is limited because the majority of revenue receivable is due from governmental units.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - TAX STATUS**

The College is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for tax on “unrelated business income,” as defined. No provision for income taxes is required.

**NOTE 4 - INVESTMENTS**

The fair value of investments is estimated based on quoted market prices for those of similar investments.

Investments at June 30 consist of the following:

	2005			2004		
	Cost	Fair value	Unrealized gain	Cost	Fair value	Unrealized gain
Primarily mutual funds	<u>\$ 506,433</u>	<u>\$ 591,139</u>	<u>\$ 84,706</u>	<u>\$ 460,661</u>	<u>\$ 516,305</u>	<u>\$ 55,644</u>

Investment income consists of the following:

	2005			2004		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Interest and dividends	\$ 884	\$ 30,825	\$ 31,709	\$ 567	\$ 27,403	\$ 27,970
Unrealized gain (loss)	1,396	27,666	29,062	(227)	34,485	34,258
	<u>\$ 2,280</u>	<u>\$ 58,491</u>	<u>\$ 60,771</u>	<u>\$ 340</u>	<u>\$ 61,888</u>	<u>\$ 62,228</u>

**NOTE 5 - RETIREMENT PROGRAM**

The College has a defined contribution 401(k) retirement plan that covers substantially all full time employees who meet certain requirements for age and length of employment. The College may elect to make discretionary contributions in addition to the contributions made by the employees themselves. The College contributed \$32,727 and \$25,209 in 2005 and 2004, respectively.

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment at June 30 consist of the following:

	2005	2004
	<u>2005</u>	<u>2004</u>
Work in process	\$ 72,816	\$ 167,154
Land and improvements	515,910	513,523
Buildings and improvements	3,326,811	3,017,220
Furniture and equipment	1,108,742	980,453
Automobiles	63,154	63,154
Library books	511,116	466,400
	<u>5,598,549</u>	<u>5,207,904</u>
Less accumulated depreciation	<u>2,647,682</u>	<u>2,474,598</u>
	<u>\$ 2,950,867</u>	<u>\$ 2,733,306</u>
Depreciation	<u>\$ 173,084</u>	<u>\$ 186,511</u>

**NOTE 7 - LINE OF CREDIT**

The College obtained a bank line of credit for \$200,000 with interest at prime (6%). The line was secured by substantially all of the assets of the College except for real property. At June 30, 2005 and 2004 the outstanding balance was \$0 for each year respectively.

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM DEBT**

Long-term debt consists of the following obligations:

	<u>2005</u>	<u>2004</u>
Note payable - trustee, annual interest payments at 10%, unsecured, due on demand.	\$ 50,000	\$ 50,000
5 year term note - bank, dated July 14, 2003 (original amount \$135,000), payable \$2,250 per month plus interest at prime (6.25% at June 30, 2005), collateralized by property and equipment at the College, final maturity is August 2008.	83,250	110,250
Mortgage loan - bank, dated November 19, 2004, original amount \$735,914, payable \$7,471 per month including interest at prime (6.25% and 4.25% at June 2005 and 2004, respectively) less .75%, collateralized by property and equipment of the College. Final maturity November 2009.	702,004	600,000
Note payable - bank, payable \$417 per month including interest at prime (6.25% at June 30, 2005) collateralized by automobile. Final maturity October 2006.	<u>6,667</u>	<u>11,667</u>
	841,921	771,917
Less current portion	<u>(135,119)</u>	<u>(135,528)</u>
	<u><u>\$ 706,802</u></u>	<u><u>\$ 636,389</u></u>

Debt matures as follows:

Year ending June 30,	
<u>2006</u>	\$ 135,119
2007	86,212
2008	88,499
2009	64,136
2010	<u>467,955</u>
	<u><u>\$ 841,921</u></u>

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM DEBT (Concluded)**

On November 19, 2004, the College refinanced the terms of its mortgage loan payable to a bank. The refinanced loan payable due in monthly installments of \$7,471 through 2009 with a prime rate less .75% replaced a mortgage loan payable due in monthly installments of \$6,809 through 2009 with a prime rate less .75%.

Interest expense for the years ended June 30, 2005 and 2004 was \$40,061 and \$28,595, respectively.

**NOTE 9 - CHARITABLE GIFT ANNUITIES**

The College has entered into several Charitable Gift Annuity Agreements whereby the donor contributes assets for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the College's use. Assets received are recorded at fair value on the date the agreement is recognized, and a liability equal to the present value of the future distributions are recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the College revalues the liability based on applicable mortality tables and discount rates, which vary from 5.6% to 8.5%.

Management believes the current portion of their liabilities is immaterial and has chosen to present the entire amount as long-term.

**NOTE 10 - LEASES**

The College leases copiers. Lease payments amounted to \$13,842 and \$5,124 for the years ended June 30, 2005 and 2004, respectively.

Future minimum lease payments required under such leases are as follows:

Year ending June 30,	
2006	\$ 18,804
2007	16,242
2008	<u>4,962</u>
	<u><u>\$ 40,008</u></u>

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - CONTINGENCIES**

The College participates in various student financial aid programs, which are subject to audit by grantor agencies. Any disallowed claims, including amounts already used may constitute a liability to the College. In the opinion of management, the liability, if any, would be immaterial.

**NOTE 12 - RESTRICTED NET ASSETS**

The College reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donations to be held indefinitely are reported as permanently restricted. The income from these assets is reported in the temporarily restricted fund. When the scholarships are paid, the income is released to the unrestricted fund.

**NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purposes restrictions accomplished:

	2005	2004
Scholarships	\$ 23,092	\$ 21,503
General administration and student services	637,719	613,472
Equipment acquired and placed in service	58,161	122,707
	<u>\$ 718,972</u>	<u>\$ 757,682</u>

**GREAT LAKES CHRISTIAN COLLEGE  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - RESTRICTED NET ASSETS**

Net assets at the end of the year consist of the following:

	<u>2005</u>	<u>2004</u>
Temporarily restricted:		
Donor specified gifts available	\$ 568,664	\$ 347,139
Endowment income available for scholarships	<u>53,582</u>	<u>49,139</u>
	<u>\$ 622,246</u>	<u>\$ 396,278</u>
Permanently restricted:		
Original endowment contributions	<u>\$ 236,494</u>	<u>\$ 196,872</u>

**NOTE 15 - FUNCTIONAL EXPENSES**

Included in education and general expenses are management and general expenses of approximately \$846,000 and \$817,000 for 2005 and 2004, which includes fundraising expenses of approximately \$211,000 and \$238,000 for 2005 and 2004.

## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the basic financial statements of Great Lakes Christian College for the year ended June 30, 2005 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 14 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer, Costeniser & Ellis, P.C.*

Certified Public Accountants

Lansing, Michigan  
July 29, 2005



**GREAT LAKES CHRISTIAN COLLEGE**  
**STATEMENT OF FINANCIAL POSITION BY NET ASSET CLASS**  
**YEAR ENDED JUNE 30, 2005**

<b>ASSETS</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT:</b>					
Cash and cash equivalents	\$ (1,321)	\$ 243,484	\$	\$	\$ 242,163
Investments		227,481			227,481
Revenue receivable, less allowance of \$30,000 in 2005	27,984				27,984
Due from governmental units		3,151			3,151
Inventories	34,577				34,577
Prepaid expenses	4,435				4,435
Due from other funds	10,333	159,039		(169,372)	
<b>TOTAL CURRENT ASSETS</b>	<b>76,008</b>	<b>633,155</b>		<b>(169,372)</b>	<b>539,791</b>
<b>OTHER ASSETS:</b>					
Property and equipment, net of depreciation	2,950,867				2,950,867
Cash and cash equivalents			10,920		10,920
Investments - annuities	96,498				96,498
Investments			267,160		267,160
<b>TOTAL OTHER ASSETS</b>	<b>3,047,365</b>		<b>278,080</b>		<b>3,325,445</b>
<b>TOTAL ASSETS</b>	<b>\$3,123,373</b>	<b>\$ 633,155</b>	<b>\$ 278,080</b>	<b>\$ (169,372)</b>	<b>\$3,865,236</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt	\$ 135,119	\$	\$	\$	\$ 135,119
Accounts payable	13,107				13,107
Accrued payroll and related	14,180				14,180
Accrued interest payable	2,500				2,500
Student deposits	73,400				73,400
Due to other funds	117,453	10,333	41,586	(169,372)	
<b>TOTAL CURRENT LIABILITIES</b>	<b>355,759</b>	<b>10,333</b>	<b>41,586</b>	<b>(169,372)</b>	<b>238,306</b>
LONG-TERM DEBT, less current portion	706,802				706,802
ANNUITY LIABILITY	74,804				74,804
<b>TOTAL LIABILITIES</b>	<b>1,137,365</b>	<b>10,333</b>	<b>41,586</b>	<b>(169,372)</b>	<b>1,019,912</b>
<b>NET ASSETS:</b>					
Unrestricted:					
Undesignated	1,986,008				1,986,008
Temporarily restricted		622,822			622,822
Permanently restricted			236,494		236,494
<b>TOTAL NET ASSETS</b>	<b>1,986,008</b>	<b>622,822</b>	<b>236,494</b>		<b>2,845,324</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$3,123,373</b>	<b>\$ 633,155</b>	<b>\$ 278,080</b>	<b>\$ (169,372)</b>	<b>\$3,865,236</b>

**GREAT LAKES CHRISTIAN COLLEGE**  
**SCHEDULE OF EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Education and general:		
Instruction and academic support:		
Instruction	\$ 614,114	\$ 552,374
Music	4,084	2,093
Christian service	3,908	3,757
Chapel	1,735	881
Academic administration	118,594	106,924
Registrar	47,881	37,793
Choir	6,277	7,940
Ensembles	2,588	1,063
Madrigals	18,795	19,996
Library	94,066	50,070
Dean of students	57,038	81,368
Retention and remediation	6,150	5,912
Depreciation	42,912	47,953
Total instruction and academic support	<u>1,018,142</u>	<u>918,124</u>
Support services:		
Convocation	18	296
Orientation	4,811	3,936
Honors chapel	159	36
Promise	10,940	8,359
Commencement	908	89
Athletics	42,648	39,087
Student activities	74,786	72,311
Total support services	<u>134,270</u>	<u>124,114</u>
General and administrative:		
Executive and business offices	<u>445,692</u>	<u>399,353</u>
Financial aid	<u>47,212</u>	<u>35,868</u>

**GREAT LAKES CHRISTIAN COLLEGE**  
**SCHEDULE OF EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Education and general (Continued):		
General and administrative (Continued):		
Institutional advancement:		
Fund raising:		
Public relations	\$ 137,282	\$ 156,422
Alumni relations	57,206	62,801
Donor banquets	1	1
Phoneathon	1,860	1,910
Estate planning	967	2,654
Golf outing	7,337	6,013
NACC	2,647	4,207
NMC	2,104	2,063
MCC	1,498	1,510
	<u>210,902</u>	<u>237,581</u>
Total fund raising	210,902	237,581
Admissions	<u>142,143</u>	<u>144,092</u>
	<u>353,045</u>	<u>381,673</u>
Total institutional advancement	353,045	381,673
Total general and administrative	<u>845,949</u>	<u>816,894</u>
General institutional:		
Internet service	14,966	15,237
Retirement administration	2,510	2,510
Telephone/internet	10,753	12,558
Insurance	33,197	29,635
General maintenance	107,215	108,396
Interest expense	40,061	28,595
Depreciation	63,841	82,451
	<u>272,543</u>	<u>279,382</u>
Total general institutional	272,543	279,382
Total education and general	<u>2,270,904</u>	<u>2,138,514</u>

**GREAT LAKES CHRISTIAN COLLEGE**  
**SCHEDULE OF EXPENSES**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Auxiliary:		
Bookstore	\$ 111,538	\$ 116,170
Cafeteria	247,336	246,393
Administrative building	55,125	43,984
Men's residence	19,410	20,962
Women's residence	23,669	21,987
Family housing	19,715	21,106
House	3,741	3,436
Depreciation	66,331	56,107
Campus beautification	<u>14,786</u>	<u>26,218</u>
Total auxiliary	<u>561,651</u>	<u>556,363</u>
TOTAL EXPENSES	<u><u>\$ 2,832,555</u></u>	<u><u>\$ 2,694,877</u></u>

**GREAT LAKES CHRISTIAN COLLEGE**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2005**

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Great Lakes Christian College  
Lansing, Michigan

July 29, 2005

We have audited the financial statements of Great Lakes Christian College as of and for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Lakes Christian College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Lakes Christian College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees  
Great Lakes Christian College  
Lansing, Michigan

July 29, 2005

We noted certain matters that we reported to management of Great Lakes Christian College in a separate letter dated July 29, 2005.

This report is intended solely for the information and use of the board of trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Mamay, Costenisan & Ellis, P.C.*

Certified Public Accountants





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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Great Lakes Christian College  
Lansing, Michigan

July 29, 2005

Compliance

We have audited the compliance of Great Lakes Christian College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Great Lakes Christian College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Great Lakes Christian College's management. Our responsibility is to express an opinion on Great Lakes Christian College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Lakes Christian College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Great Lakes Christian College's compliance with those requirements.

In our opinion, Great Lakes Christian College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

July 29, 2005

### Internal Control Over Compliance

The management of Great Lakes Christian College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Great Lakes Christian College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Great Lakes Christian College as of and for the year ended June 30, 2005, and have issued our report thereon dated July 29, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of trustees, management and federal awarding agencies and is not intended and should not be used by anyone other than these specified parties.

*Mammy Costinsson & Ellis, P.C.*

Certified Public Accountants

**GREAT LAKES CHRISTIAN COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Federal grantor/pass-through grantor/ Program title	Federal CFDA number	Pass- through grantor's number	Current year expenditures
U.S. Department of Education:			
Federal Pell Grant Program	84.063	N/A	\$ 263,493
Federal Supplemental Education Opportunity Grant	84.007	N/A	21,522
Federal Work Study Program	84.033	N/A	<u>27,439</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><u>\$ 312,454</u></u>

See Note 3 on page 6 regarding Federal Family Education Loans Program.

**GREAT LAKES CHRISTIAN COLLEGE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Great Lakes Christian College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Student Financial Aid Cluster, CFDA #84.063, 84.007, 84.033 and 84.032, was audited as the major program.
3. The College administers the Federal Family Education Loans (FFEL) program (CFDA # 84.032). During fiscal year 2004-2005 students received \$740,774 of new FFEL loans. These funds were received directly by the students of the College and any interest or other costs related to these loans were received directly by the lender not Great Lakes Christian College. Accordingly, these costs have not been included on the Schedule of Expenditures of Federal Awards.

**GREAT LAKES CHRISTIAN COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Section I - Summary of Auditors' Results**

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***Financial Statements***

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be Reported with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.063, 84.007, 84.033, 84.032

Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None noted.

**Section III - Federal Award Findings and Questioned Costs**

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None noted.

**GREAT LAKES CHRISTIAN COLLEGE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

There were no prior audit findings for the year ended June 30, 2004.



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July 29, 2005

To the Board of Trustees  
Great Lakes Christian College  
Lansing, Michigan

In planning and performing our audit of the financial statements of Great Lakes Christian College for the year ended June 30, 2005, we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated July 29, 2005, on the financial statements of Great Lakes Christian College.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various College personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### **Prior Year Comment**

#### **Unopened bank statements**

In reviewing procedures and controls related to cash disbursement functions, we noted that the Vice President of Finance and Operations receives the bank statements unopened. Someone other than employees maintaining cash records should receive bank statements, canceled checks, and appropriate advices.

Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly. We recommend that the manager of payroll and benefits initially receive the bank statements and cancelled checks.

#### Resolution

Becky Anderson, manager of payroll and benefits, initially receives the bank statements and cancelled checks. Becky opens the unopened statements and reviews cancelled checks for sequence and payee before handing them over to Harry Richards for preparation of the bank reconciliations.

#### Improve Segregation of Cash Duties

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the College's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an employee not responsible for accounting, such as the receptionist or the president's secretary. This individual can create an initial listing of receipts for the day and stamp all checks for 'deposit only' before forwarding all materials received to the accounting staff for postings to the general ledger and detail customer accounts.



Resolution

Becky Anderson prepares the initial listing of checks received and takes deposits to the bank. Cash receipts for gifts are received by the Advancement Coordinator who then gives the checks to Becky to deposit; no initial listing of checks is made of gift receipts. Mail should come into a central location and be opened by an individual independent of the cash receipt process. This individual should make a listing of all cash and checks received daily, so management can verify all cash received is deposited.

- Someone independent of the cash receipts process should compare the validated bank deposit ticket to the initial listing of cash prepared.

Resolution

Harry Richards compares the initial listing of checks to the bank validated deposit slip when he prepares the bank reconciliation.

- Cash receipts should be deposited intact daily. Holding receipts for a weekly deposit exposes the College to loss.

Resolution

Cash receipts are typically deposited daily if the volume is enough to justify going to the bank. However some receipts such as Michigan Work Study are held onto for months until they are deposited. We recommend that deposits are made daily or at least several times a week, depending on volume of receipts.

- Bank statements, canceled checks, and appropriate advices should be received by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.

Resolution

See comment regarding Unopened Bank Statements above.

- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.

Resolution

Bill Brossmann now mails checks out after he has signed them, he does not return them to accounts payable for mailing.

Establish a Threshold for Dual Signatures on Checks

All checks are signed by the vice president of finance and operations. Check signers include the president, the vice president of finance and operations, and the director of development. We recommend that you establish a disbursement threshold in which all disbursements over a specific amount would require two signers. This would allow additional oversight over significant disbursements.

Resolution

Bill Brossmann has looked into having a threshold for dual signatures however most checks written are for very small dollar amounts and there are two signatures already on the approval for a disbursement. Management has decided not to establish a threshold for dual signatures.

**Current Year Comments**

New Grace Period for Cafeteria Plans

The IRS announced in Notice 2005-42 that they would allow employers to change the Flexible Spending Accounts (FSAs) in their Cafeteria Plans (Section 125 Plans) to adopt a brief grace period following the end of the plan year. This would give employees an additional 2½ months (14½ months in total) to use up their deferrals for the plan year.

The employer would provide a run-out period for 2½ months following the plan year in which the employee could incur additional qualified expenses. Prior to the notice any unused amounts would be forfeited at the end of the plan year.

You must amend your plan by the end of the current plan year to provide this grace period for current and future plan years. Please contact us if you need any additional information.

#### NEW RULES FOR §403(b) PLANS

Proposed regulations were issued last year that required a written plan document for §403(b) plans. The plan must contain all the material terms and conditions for eligibility, benefits, contribution limitations, the annuity contracts or accounts available or used under the plan for funding, and the time and form under which benefit payments will be made. There is no requirement that a single document must be used. This rule applies for tax years beginning after 2005.

We would recommend that you contact your attorney before the end of 2005 to assure you comply.

#### Blank Checks

The manager of Payroll and Benefits prepares all checks for payment and has access to the blank check stock. We recommend someone independent of the accounts payable process hold the blank check stock in a locked drawer. When a check run is being prepared the manager of payroll and benefits could request checks from the independent person. The custodian of the checks should also keep track of the check sequence between check runs.

#### Update All Agreements to Current IRS Rates

Some contracts do not reference IRS rates of reimbursement. We recommend that all agreements be reviewed and revised to reflect a general reference to the IRS rate instead of a specific amount.

To the Board of Trustees  
Great Lakes Christian College  
Lansing, Michigan

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July 29, 2005

This report is intended solely for the information and use of Great Lakes Christian College, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mamie Costeniser & Ellis, P.C.*